

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

October 17, 2005

8:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:30 a.m., Monday, October 17, 2005, in the Nebraska Retirement Systems Board Room in the TierOne Community Meeting Room at 1221 N Street, Lincoln, Nebraska.

The Board members were notified of this meeting by letter dated October 7, 2005. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, October 10, 2005. Mr. Peters chaired the meeting and Ms. Linder recorded the minutes.

MEMBERS PRESENT:

CHARLES PETERS, CHAIR
JULIA MOELLER, VICE-CHAIR
DENIS BLANK
WILLIAM HASTINGS
DALE KAHLA
MARK SHEPARD
GLENN ELWELL

MEMBERS ABSENT:

ROGER REA
CAROL KONTOR, EX-OFFICIO

NONMEMBERS PRESENT:

ANNA SULLIVAN

Director

JASON HAYES

Legislative Retirement Counsel

BEN MATTERN

Ameritas

LYN HEATON

DAS – Deputy State Budget Administrator

HOWARD KENSINGER,

Court Administrator's Office

MARY JOCHIM

Sterling Financial Advisors

JOE SCHAEFER

Legal Counsel

JAN FOX

Training Supervisor

TERESA ZULAUF

Internal Auditor

CHERYL MUELLER

Audit Associate

KATE WITEK

State Auditor

CINDY JANSSEN

State Auditor's Office

KRISTA DAVIS

State Auditor's Office

ANDRE' MICK

Nebraska Legislature

ANGELA McCLELLAUEL

Nebraska Legislature

MARTHA CARTER

Nebraska Legislature

JANE HANSEN

Retirement Plan Supervisor

RANDY GERKE

Accounting and Finance Manager

SHEILA LINDER

Administrative Assistant

Agenda Items 1 and 2 - Meeting Called to Order: Chairperson Peters called the October 17, 2005, Board Meeting to order at 8:35 a.m. Present at roll call: C. Peters, J. Moeller, W. Hastings, M. Shepard, G. Elwell, D. Blank, and D. Kahla. Absent: R. Rea and C. Kontor.

Excuse Board Members: Ms. Sullivan stated that Ms. Kontor is attending the National Association of State Investment Officers Annual Conference. Mr. Rea is on vacation in Europe at this time. Judge Hastings moved to excuse Mr. Rea and Ms. Kontor. Ms. Moeller seconded the motion. Members voted as follows: J. Moeller, W. Hastings, M. Shepard, G. Elwell, D. Blank, D. Kahla, and C. Peters.

Agenda Item 3 - Approval of Minutes: Ms. Moeller moved that the minutes of the September 19, 2005, Board Meeting be approved. Motion was seconded by Mr. Kahla. Members voted as follows: W. Hastings, M. Shepard, G. Elwell, D. Blank, D. Kahla, C. Peters, and J. Moeller.

Agenda Item 4 - Approval of Budget Status Report & September Retirement Report: Ms. Sullivan stated that included with the reports was the agency budget update requested from the Budget Office. We discovered that the per diem for the Board members under LB 503 was actually to be for any Board business, and not just Board Meetings as originally thought. For that reason, we requested to have the PSL increased by \$2,200 to cover the extra time that the Board members spend on Board business. Training and committee work will be included.

Ms. Moeller moved to approve the budget status report, the September Retirement Report, and the Agency Adjustment Summary for \$4,200. Judge Hastings seconded the motion. Judge Hastings asked why Acct. No. 5261 is at 741% expended. Mr. Gerke stated that \$10,000 was encumbered from last year. There has been a problem with NIS updating the encumbrances. Also, the postage expense is at 83% of the year due to mailing the annual school statements.

Mr. Blank stated he is uncomfortable going forward without finding how the Board members per diems will be handled. Mr. Peters asked Mr. Schaefer to provide a report at the November meeting.

Members voted on motion as follows: For: M. Shepard, G. Elwell, C. Peters, J. Moeller, D. Blank, W. Hastings, and D. Kahla. Against: None. Motion carried.

Agenda Item 5 - Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Report on State and County Audit: Cindy Janssen and Krista Davis were present to present the results of the State and County Audit. Kate Witek was also present in the audience. Ms. Janssen reviewed the findings of the audit.

Discussion was held regarding temporary employees. Mr. Peters asked if it was possible that the auditor's definition is different than the county's, and both are different than NPERS' definition. Ms. Sullivan stated that is possible, but the statute is clear for participation

purposes. Ms. Sullivan also stated that she has discussed the possibility of immediate participation with Jason Hayes and Senator Stuhr. Ms. Janssen acknowledged that immediate participation for State and County employees would eliminate a majority of the points in the audit.

Ms. Janssen stated part of the problem may be in hiring an individual in one status, such as part-time and then the individual going to full time and appropriate individuals are not informed of the change. Mr. Peters asked why it is implied that NPERS has made the mistake. Ms. Janssen replied they follow the Attorney General's opinion, as the administrator of the system, it is our responsibility to insure that the members are enrolled in the plan.

Mr. Shepard moved to accept the State Auditor's Report. Mr. Blank seconded the motion. Members voted as follows: For: G. Elwell, C. Peters, J. Moeller, D. Blank, W. Hastings, D. Kahla, and M. Shepard. Against: None. Motion carried.

Final Review of Rules and Regulations Nos. 2, 4, 11, 15 and 24: Judge Hastings and Mr. Rea met with Ms. Sullivan and Mr. Schaefer to review the Rules. The changes made since the last meeting were in bold italic on the copies provided to the Board. Judge Hastings moved for approval of the Rules as proposed. Sgt. Elwell seconded the motion. Members voted as follows: For: C. Peters, J. Moeller, D. Blank, W. Hastings, D. Kahla, M. Shepard, and G. Elwell. Against: None. Motion carried.

Amendment of Deferred Compensation Plan: Mr. Schaefer explained the federal rules have changed on involuntary de minimus disbursements from deferred compensation plans. We had a provision that if an account was less than \$2,500 we could close the account out without the member's permission and distribute the money to them. This could leave them with a tax consequence. The federal government realized this and made provisions for two ways to handle. One was to set up a roll over company, the other was to remove the limit of \$2,500 and lower it to \$1,000. Mr. Schaefer talked with our Washington D.C. counsel, who recommended going with the second option. Mr. Schaefer drafted language to that effect. Mr. Blank moved to accept the amendment. Ms. Moeller seconded the motion. Members voted as follows: For: J. Moeller, D. Blank, W. Hastings, D. Kahla, M. Shepard, G. Elwell, and C. Peters. Against: None. Motion carried.

Technology Update: Randy Gerke, acting IT Manager, was present. He stated that things are going well. There have been two deployments this month. We are in maintenance mode. There are 50 open PIRs (change requests) at different levels of priority. The team is in the middle of a few upgrades of software. Mr. Gerke stated one of the challenges is there were various software programs under Covansys that have now reverted back to us to maintain. The IT Team is in the process of setting up a spreadsheet indicating what is our responsibility. There were some new state withholding changes and the 7% salary cap from LB 503 that affected PIONEER and programming by Covansys. Staff are working on the Disaster Recovery Plan. They are also working on the defined contribution interfaces with Ameritas. Staff are also learning JAVA in order to have knowledge of that language. Mr. Gerke would like to do some work on the IT manual. Ms. Sullivan stated she meets with

Mr. Gerke at least once a week. They are working on the report for the Appropriations Committee that is due in December.

Manager and Employee of the Year Awards: Ms. Sullivan stated that October is employee recognition month for the State. She introduced Pam Williamson as Employee of the Year. She has been with Retirement Systems for 18 years and is a very valuable employee of the agency. Manager of the Year is Randy Gerke. Several employees of the agency will also be receiving service year awards.

Director's Report: Ms. Sullivan stated they will be continuing the work on Rules and Regulations. The School, Judges, and Patrol Audit Entrance Conference was September 29.

Ms. Sullivan has discussed with the actuary his progress for his report. He was not able to provide preliminary numbers at this time. He will present the report at the November meeting. Included in the report will be a five-year projection estimating future funding needs. She also requested a breakout of the service annuity in the School retirement plan. We hope to have the results by the first of November to provide to the Board prior to presenting at the Joint Meeting in November. Ms. Sullivan would like to release preliminary numbers to the Governor's Office and the Appropriations Committee prior to the November 14 Board Meeting because of their need for funding information.

Ms. Sullivan stated that a determination was made that we need to rebid the recordkeeping contract for the State, County, and DCP plans that ends in June of 2006. She would like to have an ad hoc committee to assist in a review of the RFP. The document will need to be approved by the Board in advance. Ms. Moeller and Mr. Blank will serve on the ad hoc committee. We are hoping to enter into a contract for a minimum of five years, and possibly up to seven years.

The Cash Balance federal mid-term rate for October went to 4.08%. With the law requiring an additional 1.5%, the interest credit rate will go to 5.58% for the next quarter.

Judge Hastings stated he is pleased with how well the presentation on the audit went today.

Mr. Blank moved to approve the Director's Report. Mr. Kahla seconded the motion. Members voted as follows: For: D. Blank, W. Hastings, D. Kahla, M. Shepard, G. Elwell, C. Peters, and J. Moeller. Against: None. Motion carried.

The Board took a break at 9:58 a.m. and reconvened at 10:35 a.m.

Executive Session: At 10:37 a.m., Judge Hastings moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing disability and emergency deferred compensation applications from plan members and pending legal matters. Motion was seconded by Ms. Moeller. Members voted as follows: For: W. Hastings, D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, and D. Blank. Against: None. Motion carried.

At 11:55 a.m. Ms. Moeller moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by Mr. Kahla. Members voted as follows: For: D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, D. Blank, and W. Hastings. Against: None. Motion carried.

Ms. Moeller moved that the disability applications of I. Rathjen and S. Mills be granted. Mr. Kahla seconded the motion. Members voted as follows: For: M. Shepard, G. Elwell, C. Peters, J. Moeller, D. Blank, W. Hastings, and D. Kahla. Against: None. Motion carried.

Mr. Kahla moved for approval of the emergency withdrawal application of J. Blacketer for the full amount in the account. Sgt. Elwell seconded the motion. Members voted as follows: For: G. Elwell, C. Peters, J. Moeller, D. Blank, W. Hastings, D. Kahla, and M. Shepard. Against: None. Motion carried.

Future Meetings/Agendas: The next meeting will be held on Monday, November 14, 2005, at Embassy Suites, 1040 "O" Street, Lincoln, Nebraska. The Board Meeting will start at 8:30 a.m. The agenda for that meeting will be similar to last year's agenda. The actuarial report will be presented to the Board. The shortened version or summary of the report will be provided to the Investment Council during the joint meeting with the Investment Council, which will begin with lunch. The Investment Council will reconvene following the joint meeting.

Approval of tech report for the legislature and the RFP will also be on the Agenda. Mr. Peters mentioned that we have been holding this joint meeting for three or four years now. He asked each of the Board members to think of comments or questions that we could direct to the Investment Council at this time.

Chairperson's Comments: Mr. Peters thanked for the participation of the Board members.

Adjournment: Ms. Moeller moved that the meeting adjourn. Motion was seconded by Mr. Blank. Members voted as follows: For: C. Peters, J. Moeller, D. Blank, W. Hastings, D. Kahla, M. Shepard, and G. Elwell. Against: None. Motion carried.

The meeting adjourned at 12:15 p.m.

Anna J. Sullivan
Director